

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
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May 22, 2018

The Honorable Trevor Ozawa, Chair  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Ozawa and Councilmembers:

SUBJECT: Bill 91 (2017), Proposed CD1 (2018)

The Department of Budget and Fiscal Services (BFS) has concerns with Bill 91 which proposes to provide taxpayers who are serving in any of the armed forces of the United States and whose real property qualifies for a home exemption with a real property tax exemption of \$120,000.

A primary concern with Bill 91 is the lack of available data to project the fiscal impact of the tax exemptions. We cannot determine the number of property owners meeting the armed forces service requirements and the qualifying criteria of a home exemption. However, the fiscal impact to the City could be substantial. Based on the current residential land class rate of \$3.50 per \$1,000 of the net taxable value and the standard home exemption for a homeowner who is of the age 64 or younger, there will be a reduction in tax revenue of \$140 for each \$40,000 difference of exemption amount or a revenue decrease of approximately \$1,000,000 for every 7,143 granted home exemption under this bill.

Other concerns are related to the administrative and budgetary issues that would occur should the provision regarding the "service status date of June 30<sup>th</sup> preceding the tax year" be implemented. The following are the dates set in ordinance that allow the City to accurately project the real property revenues for its annual budget.

- Home exemption filing deadline, September 30<sup>th</sup> preceding tax year
- Assessment notice mailed on or before December 15<sup>th</sup> preceding the tax year
- Appeal deadline, January 15<sup>th</sup> preceding the tax year

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- Certification due on or before February 1<sup>st</sup> preceding the tax year
- Tax year begins July 1
- 1<sup>st</sup> half tax bill mailed on or before July 20<sup>th</sup>, due August 20<sup>th</sup>

A service date of June 30<sup>th</sup> immediately preceding the tax year would require amended assessments to be issued annually and would require a second appeal period. This may result in inaccurate budget projections and an unbalanced budget. In addition, the June 30<sup>th</sup> service date could result in the preparation and delivery of incorrect real property tax bills, based on the original assessment notice, as the billing extract is sent to the print vendor in the first week of July.

Bill 91 is unclear as to what is meant by “serving” as it pertains to the various National Guard and Reserve units. Some of the questions that need to be answered are: 1) Does the bill apply to all members, or only those on active duty? and 2) Is there a minimum time period for the active duty designation? It is our understanding that those who are reporting one weekend per month are not considered to be on active duty, but are on active duty status while fulfilling their two week requirement.

We truly value and appreciate the services provided by those of the United States armed forces. However, we have concerns regarding the fiscal impact and the administrative burden that would be imposed with passage of the bill.

If you have any questions, please call me at 768-3901.

Sincerely,



Nelson H. Koyanagi, Jr., Director  
Budget and Fiscal Services

APPROVED:



Roy K. Amemiya, Jr.  
Managing Director